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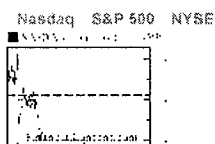
Hedge Fund Guru

Paulson Considering
Plan to Save CIT Group
(CIT)

Independent

Investigation of
Sequenom (SQNM) Test
Shows Blatant Errors and
Unsubstantiated Claims

Market Snapshot



Nasdaq	2124.54
-6.20	(-0.29%)
S&P 500	1061.96
-1.02	(-0.10%)
NYSE	6930.74
-9.02	(-0.13%)

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CEO Wealthmeter



+52.46M (+0.33%)
Holdings: 27.82B
Salary: 38.62K

Lawrence J. Ellison Oracle
Corporation
ORCL | News | Chart | Profile



+33.40M (+1.10%)
Holdings: 2.72B
Salary: 150.00K

Michael J. Saylor MicroStrategy
Inc
MSTR | News | Chart | Profile



+4.70M (+1.31%)
Holdings: 417.96M
Salary: Unknown

Carl H. Linder Chiquita Brands
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CQB | News | Chart | Profile

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Insiders' Blog

SIPC's Role In Madoff-Of-All-Scams Could Save The Stock Market

December 16, 2008 2:14 PM EST

Could the Bernard Madoff fraud actually help the stock market?

The SIPC came out with a statement last night indicating that they will be involved in the Madoff situation. The SIPC maintains a special reserve fund authorized by Congress to help investors at failed brokerage firms. The SIPC reserves are available to satisfy the remaining claims of each customer up to a maximum of \$500,000, including a maximum of \$100,000 for cash.



It seems likely that most, if not all, of the statements Bernard Madoff delivered to clients were entirely bogus. Based on the SIPC mandate, it could be in the realm of possibility that the SIPC has to buy securities to replace those that were faked on statements delivered to Madoff clients.

Based on a conversations with the SIPC general counsel Josephine Wang, if clients were presented statements and had reason to believe that the securities were in fact owned, the SIPC will be required to buy these securities in the open market to make the customer whole up to \$500K each. So if Maddof client number 1234 was given a statement showing that they owned 1000 GOOG shares, even if a transaction never took place, the SIPC has to buy and replace the 1000 GOOG shares.

Imagine \$50 billion in net buying to the stock market, on behalf of the SIPC, to replace client's stocks that were never bought? While this likely won't happen to this extent, it is in the realm of possibility.

Ms. Wang indicated to us that the SIPC has a budget of just \$1.6 billion and a few credit lines worth \$2 billion total. While SIPC is a non-profit organization, they have indicated to us that they will try to make as many people as whole as possible. They claim to be free from any conflicts of interest, even if the amount needed would eclipse their budget. When asked if the Madoff claims came in at \$5 billion what would be done, Ms. Wang indicated to us that they could look to Congress for the money.

The SIPC said their involvement with the Madoff case strictly involves the broker-dealer. So, one of the main issues the SIPC trustee appointed to the Madoff case will have to address is how Madoff hedge fund clients and other investment management clients will be dealt with. Will they be protected? Also, if a hedge fund that invested in Madoff has 100 clients, will the SIPC pay out \$500K just to the hedge fund or \$500K to each of the 100 clients?

There are many questions that are still unanswered on the massive Bernie Madoff ponzi scheme, but it would be ironic if the biggest scam in history, that has hurt so many people, turned out to be a slight positive to the market. Our prayers are with all of those who have lost money having faith in Madoff and the system that has failed us.

Stocks Mentioned

Related Entities

- Hedge Funds
- Bernard Madoff

8 investing mistakes you should avoid in 2009

If you have a \$500,000 portfolio, download the guide by Forbes columnist and money manager Ken Fisher. It's called "The Eight Biggest Mistakes Investors Make and How to Avoid Them." Even if you have something else in place right now, it *still* makes sense to request your guide!

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+1.70M (+1.68%)
Holdings: 119.74M
Salary: 1.51M

Frank Lanza L-3
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Holdings: 17.62M
Salary: Unknown

Shant S. Hovnanian Speedus
Corp
SPDE | News | Chart | Profile



+979.73K (+1.86%)
Holdings: 61.41M
Salary: 11.67M

Geoff Tate Rambus Inc
RMBS | News | Chart | Profile

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Comments

MS Wang

Audrey on Mar 29, 2009 03:59 PM

It is absolutely essential that we clarify Ms. Wang's position and then find out who Ms. Wang has to account to. For those who do not realize it, the SEC sanctioned Madoff several times and thus failed to protect the investors against fraud. The tax laws only go back 5 years.

Josephine Wang

Ronnie Sue Ambrosino on Mar 29, 2009 03:41 AM

It is my understanding that Ms. Wang is now denying the fact "if clients were presented statements and had reason to believe that the securities were in fact owned, the SIPC will be required to buy these securities in the open market to make the customer whole up to \$500K each. So if Maddoff client number 1234 was given a statement showing that they owned 1000 GOOG shares, even if a transaction never took place, the SIPC has to buy and replace the 1000 GOOG shares." Can the author of the article clarify this confusion for more than 8000 investors who received SIPC claim forms? Please send to: info@bernardmadoffvictims.org

WHERE IS THE MONEY?

JOANNE on Jan 5, 2009 02:57 PM

What could have happened to all this money he took? I am sure not all of it went to pay dividends/interest? They should sieze all his assets, sell them and divide amongst the people let out in the cold. I realize that people were taken by him, but also, they were a little greedy. Something too good to be true usually is.

Institutional Investors?

Benito M on Dec 22, 2008 03:18 PM

Can anybody explained how "sophisticated" institutional types like HSBC and Santander were dupped by this Madoff Scheme? We have to rename this scheme. Were the credit risk management team on holiday during this endeavor. This whole "staged event", in light of Robert Rubins looting of twice as many sheckels, seems very suspicious. Gee, Robert Rubin is amongst the Obama team. You better wake up Amerika! The depth of this kosher mafia is in ALL aspects of american society!!! <http://iamthewitness.com/news/2008.12.18-The-Madoff-Double-Bluff.html>

Madoff and SIPC

Thomas Mullooly on Dec 19, 2008 10:50 PM

The purpose of the SIPC is to protect investors who have been damaged due to a brokerage failure...NOT fraud. Sadly, the SIPC is not designed for this situation. These losses are from theft, not from a brokerage failure. There are tax laws designed to allow write-off for nearly every dollar lost due to theft. This would ultimately be more valuable to investors than getting a potential \$500,000 back (whenever that may or may not happen) versus multi-million dollar losses.

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